

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION

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KATE McKENNA, AICP
Executive Officer

DATE: September 28, 2009

TO: Chair and Members of the Formation Commission

FROM: Kate McKenna, AICP, Executive Officer

**SUBJECT: CALPERS 457 SUPPLEMENTAL DEFERRED COMPENSATION
PROGRAM - EMPLOYEE LOAN PROGRAM**

SUMMARY OF RECOMMENDATION:

The Budget and Finance Committee recommends approval of a draft Resolution to authorize participation in the CalPERS 457 employee loan program, at no cost to LAFCO of Monterey County.

EXECUTIVE OFFICER'S REPORT:

Background

LAFCO participates in the CalPERS 457 deferred compensation program. This supplemental retirement fund is in addition to the regular 2 % at 55 CalPERS retirement program. The costs of employer and employee contributions to the CalPERS 457 Program are in lieu of and identical to contributions that would be required under the U.S. Social Security Program. Employees may opt to contribute additional deposits to their 457 accounts.

Discussion

Employers may authorize employees to enroll in a loan program that is available through the CalPERS 457 deferred compensation program. Approving the attached draft Resolution and employer enrollment form would enable employees to participate in the loan program, at no cost to LAFCO.

If authorized by the employer, an employee could enroll in the loan program and borrow up to one-half of his or her 457 account balance. The loan would be repaid to the CalPERS account through electronic payroll deductions. Upon separation from LAFCO, any remaining loan balance would be immediately due and payable, or be considered a distribution subject to taxes. Details of the loan program procedures are provided in Attachment I.

Budget and Finance Committee

Budget and Finance Committee Chair Rubio and Members of the Committee met on September 14 to consider the proposal. After consulting with General Counsel Leslie Girard, and noting that there is no risk or cost to the employer, the Committee recommends approval of the attached Resolution and employer enrollment form.

FISCAL IMPACT:

This proposal has no fiscal impact to LAFCO.

ALTERNATIVE ACTION:

Reject the proposal to authorize participation in the CALPERS 457 employee loan program.

Respectfully Submitted,

Kate McKenna, AICP
Executive Officer

Draft Resolution and Employer Enrollment Form
Attachment 1 – Loan Program Procedures